

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
PUBLIC DISCLOSURE**

First Bank of Snook

Name of Institution
Snook

City
Texas

State
Eric M. Hagemeister

Examiner-in-Charge

FM Loop #2155

Street
Burleson

County
77878

Zip Code

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CRA PERFORMANCE ASSESSMENT

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First Bank of Snook, Snook, Texas**, prepared by **Federal Reserve Bank of Dallas, Dallas, Texas**, the institution's supervisory agency, as of March 10, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

The rating is primarily supported by the volume of consumer lending to low- and moderate-income individuals. Analysis of the consumer loan sample found that approximately 43% were to low- or moderate-income borrowers. In addition, approximately 90% of the agricultural/commercial and consumer loan samples were located inside the bank's assessment area. First Bank of Snook (FBS) was rated Satisfactory at its previous assessment as of July 10, 1995.

DESCRIPTION OF INSTITUTION

FBS is a wholly owned subsidiary of Snook Bancshares. The bank recently moved into its new building on FM 2155 in Snook, Texas. This new building includes a multi-lane drive through facility and an ATM.

As of September 30, 1996, FBS reported total assets of \$21.6 million and a net loan-to-deposit ratio of 38.38%. The bank's rapid loan growth of 95.19% through the third quarter of 1996 is due, in part, to the purchase of residential mortgage loans from other financial institutions in the assessment area. As of September 30, 1996, residential real estate loans totaled \$2.8 million and represented 37.55% of the loan portfolio compared to \$1.2 million and 29.66% one year earlier. Consumer loans are also a major product offered by the bank when measured by both dollar volume and number originated. As of September 30, 1996, consumer loans totaled \$2.7 million, up 61.70% over the same period in 1995. However, consumer loans as a percentage of the entire loan portfolio have declined from 42.56% to 36.18% in the past twelve months.

The bank's ability to meet various community credit needs has not been hampered by its capacity to lend, the capacity of other similarly-situated institution to lend in the assessment area, demographic and economic factors present in the assessment area, or the lending opportunities available in the institution's assessment area.

DESCRIPTION OF BURLESON AND BRAZOS COUNTIES

The bank's assessment area consists of Burleson and Brazos Counties. It is located in the south central portion of the state of Texas, midway between Austin and Houston. Snook, Texas, is located in Burleson County. The county seat is Caldwell, Texas. Agribusiness, oil and gas, and tourism are the primary industries in Burleson County. Brazos County is located to the west of Burleson County and is most recognized for the city of College Station, the home of Texas A&M University (A&M). A&M is the economic base of Brazos County. There are efforts underway to diversify the economy through light manufacturing and agribusiness. The unemployment rate for the assessment area is 5.8% which compares favorably to the state average of 7.0%.

The 1990 United States Census (Census) reported a total population of 135,487 for the two counties. Approximately 11% of the assessment area's population live in low-income census tracts, 16% in moderate-income census tracts, 50% in middle-income census tracts and 23% in upper-income census tracts. Included in the low income population are a significant number of college students. The population includes 11,131 students living in dormitories. Two of the four low-income census tract in the assessment area contain A&M's dormitories. One community contact stated the majority of the low-income population are unique because they drive fancy new cars provided by their more affluent parents and do not need the resources available for low-income individuals. The Department of Housing and Urban Development (HUD)

updates the 1990 census information for the median family income on an annual basis and reports the 1996 state nonmetropolitan median family income at \$28,700. For CRA purposes, borrower income information for a nonmetropolitan area such as Burleson and Brazos Counties are based upon this figure.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO

Although FBS' average loan-to-deposit (LTD) ratio appears low, it is considered reasonable in light of its performance context. Included in the bank's performance context are the bank's capacity to lend, the capacity of other similarly-situated institutions to lend, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area.

The bank's average LTD ratio since the previous examination is 28.32%. To better understand the bank's performance in relation to its assessment area, a LTD ratio analysis was made of four similarly-situated banks located in the assessment area. All four banks are larger than FBS but have similar loan portfolio mixes. The LTD ratios for these banks ranged from 33.31% to 60.61% with an average ratio of 47.18%. While the similarly-situated banks reported higher LTD ratios, FBS is making concerted efforts to improve its volume of lending through increased efforts to penetrate the market. FBS' current LTD ratio of 38.48% has increased from the December 1995 level of 25.22%.

LENDING IN ASSESSMENT AREA

A review of sampled loans originated indicates a majority of the loans extended were located inside the assessment area and FBS exceeds the expectations of a satisfactory rating in this area. The loan sample included 70 consumer loans secured by motor vehicles and 27 commercial and agricultural loans made between July and December 1996. Approximately 90% of the loans sampled were located inside the assessment area. The following table details lending inside the assessment area by product type.

| Lending Inside the Assessment Area | | | | |
|---|--------------------------------|---------------------------------|--------------------------------------|---------------------------------|
| | Number of Loan Type | Percent of Loan Type | Dollar of Loan Type (000) | Percent of Loan Type |
| Consumer | 63 | 91 | 597 | 90 |
| Commercial | 23 | 85 | 679 | 96 |
| Total | 86 | 90 | 1,276 | 93 |

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

A review of the bank's distribution of loans in its assessment area by business revenues and borrower income was performed on the sampled loans. Of the commercial/agricultural loans sampled, 24% were extended to businesses/farms with gross revenues of \$250 thousand or less as detailed on the following chart.

| COMMERCIAL/AGRICULTURAL LOAN SAMPLE IN ASSESSMENT AREA BY BUSINESS REVENUE LEVEL | | |
|--|--|------------------------|
| GROSS REVENUES OF BUSINESS (THOUSANDS) | NUMBER OF LOANS BY INCOME OF APPLICANT | PERCENT OF TOTAL LOANS |
| \$0-100 | 1 | 12% |
| \$100 - 250 | 1 | 12 |
| \$250 - 1,000 | 3 | 38 |
| Over \$1,000 | 3 | 38 |
| Total * | 8 | 100% |

* Total does not include eight loans where the bank used borrower's income and seven loans where the bank did not collect income data.

Occasionally, the bank makes commercial loans relying upon the borrower's income rather than the business' gross revenue. The sample included eight such loans. Of these loans, one was to a low- or moderate-income individual.

The consumer loan sample analysis included a comparison of the borrower's income to the 1996 Texas nonmetropolitan median family income of \$28,700. A breakdown by income range for each category is detailed below:

| TEXAS NONMETROPOLITAN MEDIAN FAMILY INCOME \$28,700 | | |
|--|--------------------------|-----------------------|
| INCOME CATEGORY | INCOME RANGE AS A | UPPER LIMIT OF |
| LOW-INCOME | 0-50% | \$14,350 |
| MODERATE-INCOME | 50-80% | \$22,960 |
| MIDDLE-INCOME | 80-120% | \$34,400 |
| UPPER-INCOME | 120% and over | over \$34,400 |

As detailed in the chart below, 43% of the consumer loans reviewed were made to low- or moderate-income individuals. FBS' level of lending to low- and moderate- income individuals is considered commendable given the impact the number of college students, who may not be potential loan customers, has on the statistics concerning low-income individuals. This volume of lending indicates the bank is reaching out to the low- and moderate-income individuals who reside in the middle- and upper- income census tracts.

| Consumer Loan Sample In Assessment Area By Borrower Income Level | | | | |
|---|-----------------------------------|----------------------------|----------------------------|---------------------------------------|
| NUMBER OF LOANS | PERCENT OF TOTAL LOANS | INCOME CATEGORY | DOLLAR OF LOANS | PERCENT OF TOTAL LOANS |
| 17 | 33% | Low-income | 122 | 22% |
| 5 | 10 | Mod-income | 39 | 7 |
| 14 | 28 | Mid-income | 139 | 26 |
| 15 | 29 | Upp-income | 246 | 45 |
| 51 | 100% | Total* | 546 | 100% |

* Does not include 12 loans where the bank did not collect income information.

The bank's performance in this category meets the standards for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

A review of the bank's distribution of loans in its assessment area among low-, moderate-, middle- and upper-income census tracts was performed on the sampled loans. The following table details the different census tracts which comprise the assessment area.

| INCOME CATEGORY | NUMBER OF CENSUS TRACTS | PERCENT OF TOTAL CENSUS TRACTS |
|-----------------|-------------------------|--------------------------------|
| LOW-INCOME | 4 | 14% |
| MOD-INCOME | 6 | 21 |
| MID-INCOME | 14 | 48 |
| UPP-INCOME | 5 | 17 |
| TOTAL TRACTS | 29 | 100% |

Analysis of the bank's geographical dispersion of lending throughout the assessment area revealed an adequate disbursement of loans. Approximately 5% of the consumer loans and 26% of the commercial/agricultural loans were located in low- and moderate-income census tracts. The lack of consumer lending in low-income census tracts may be attributable to the volume of college students living in the low-income census tracts. In addition, all of the low- and moderate-income tracts are located in Brazos County and the bank has only recently expanded its assessment area to include this county. The following table details the bank's lending inside the assessment area by census tract.

| Loan Sample by Census Tract | | | | |
|-----------------------------|-----------------------------|-------------------------------------|-----------------------------|-------------------------------------|
| | Commercial Loans | | Consumer Loans | |
| Income Category | Loans in CT Income Category | Percent of Total Loans by Loan Type | Loans in CT Income Category | Percent of Total Loans by Loan Type |
| LOW-INCOME | 2 | 9% | 0 | 0% |
| MOD-INCOME | 4 | 17 | 3 | 5 |
| MID-INCOME | 16 | 70 | 45 | 71 |
| UPP-INCOME | 1 | 4 | 15 | 24 |
| TOTAL | 23 | 100% | 63 | 100% |

RESPONSE TO COMPLAINTS

FBS has not received any written complaints about its CRA performance since the last examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS (ECOA, FHA, OR HMDA)

No substantive violations involving illegal discrimination or discouragement were noted during the concurrent consumer affairs examination.